



BRUNSWICK FAMILY ASSISTANCE AGENCY, INC.

Audited Financial Statements

for the year ended

December 31, 2016

(with comparative totals for 2015)



Table of Contents

| | |
|---|------|
| Independent Auditor's Report..... | 3 |
| Financial Statements | |
| Statement of Financial Position | 4 |
| Statement of Activities | 5 |
| Statement of Functional Expenses..... | 6 |
| Statement of Cash Flows..... | 7 |
| Notes to the Financial Statements | 8-15 |



bearmancpa

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brunswick Family Assistance Agency, Inc.
Shallotte, North Carolina

We have audited the accompanying financial statements of Brunswick Family Assistance Agency, Inc. ("BFA"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BFA as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Information

We have previously audited BFA's 2015 financial statements and our report dated March 16, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA P.C.

Wilmington, North Carolina
March 21, 2017



2030 Eastwood Road, Suite 10A
Wilmington, NC 28403

(910) 508-0630
nbearman@bearmancpa.com

Brunswick Family Assistance Agency, Inc.

Statement of Financial Position

as of December 31, 2016

(with comparative totals for 2015)

| | <u>12/31/16</u> | <u>12/31/15</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Cash and Cash Equivalents (Note 3c) | \$ 237,166 | \$ 270,709 |
| Accounts Receivable (Note 4) | 15,894 | 20,480 |
| Inventory (Note 5) | 75,351 | 55,692 |
| Prepaid Expenses | 8,427 | 8,427 |
| Investments (Note 6) | 139,316 | 132,072 |
| Property & Equipment (Note 7) | 43,835 | 50,744 |
| Total Assets | <u>\$ 519,989</u> | <u>\$ 538,124</u> |
| Liabilities & Net Assets | | |
| Accounts Payable & Accrued Liabilities (Note 8) | \$ 24,768 | \$ 18,914 |
| Total Liabilities | <u>24,768</u> | <u>18,914</u> |
| Net Assets | | |
| Unrestricted (Note 3b) | 476,323 | 498,761 |
| Temporarily Restricted (Notes 3b & 9) | 18,898 | 20,449 |
| Permanently Restricted (Note 3b) | - | - |
| Total Net Assets | <u>495,221</u> | <u>519,210</u> |
| Total Liabilities & Net Assets | <u>\$ 519,989</u> | <u>\$ 538,124</u> |

The accompanying notes are an integral part of these financial statements.

Brunswick Family Assistance Agency, Inc.
Statement of Activities
for the year ended December 31, 2016
(with comparative totals for 2015)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2016 Total</u> | <u>2015 Total</u> |
|---|--------------------------|-----------------------------------|--------------------------|--------------------------|
| OPERATING | | | | |
| Revenue | | | | |
| Private Grants & Contributions (Note 4) | \$ 421,127 | \$ 50,000 | 471,127 | \$ 511,655 |
| Donated Goods (Note 10) | 701,971 | - | 701,971 | 548,502 |
| Government Grants & Contracts (Note 4) | 140,577 | 43,180 | 183,757 | 190,749 |
| Thrift Store Sales | 175,981 | - | 175,981 | 175,008 |
| Special Events, net (see Note 3e) | 7,034 | - | 7,034 | 28,266 |
| Investment Income (Note 6) | 7,244 | - | 7,244 | (1,875) |
| Other Income | 739 | - | 739 | 12,760 |
| Net Assets Released from Restriction (Note 9) | 94,731 | (94,731) | - | - |
| Total Revenue | <u>1,549,404</u> | <u>(1,551)</u> | <u>1,547,853</u> | <u>1,465,065</u> |
| Expense | | | | |
| Program (Note 3e) | | | | |
| Brunswick Family Assistance Agency | 1,278,596 | - | 1,278,596 | 1,125,263 |
| Thrift Store Operations | 169,136 | - | 169,136 | 160,479 |
| | <u>1,447,732</u> | <u>-</u> | <u>1,447,732</u> | <u>1,285,742</u> |
| Management & General (Note 3e) | 83,479 | - | 83,479 | 62,810 |
| Fundraising (Note 3e) | 40,631 | - | 40,631 | 40,580 |
| Total Expense | <u>1,571,842</u> | <u>-</u> | <u>1,571,842</u> | <u>1,389,132</u> |
| Increase (Decrease) in Net Assets | <u>(22,438)</u> | <u>(1,551)</u> | <u>(23,989)</u> | <u>75,933</u> |
| Net Assets Beginning of Year | <u>498,761</u> | <u>20,449</u> | <u>519,210</u> | <u>443,277</u> |
| Net Assets End of Year | <u>\$ 476,323</u> | <u>\$ 18,898</u> | <u>\$ 495,221</u> | <u>\$ 519,210</u> |

The accompanying notes are an integral part of these financial statements.

Brunswick Family Assistance Agency, Inc.
Statement of Cash Flows
for the year ended December 31, 2016
(with comparative totals for 2015)

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activity | | |
| Change in Net Assets | \$ (23,989) | \$ 75,933 |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities: | | |
| Changes in certain assets and liabilities: | | |
| Accounts Receivable | 4,586 | (960) |
| Prepaid Expenses | - | (724) |
| Inventory | (19,659) | (12,758) |
| Accounts Payable & Accrued Expenses | 5,854 | (8,310) |
| Unrealized (gains) losses on investments | 609 | 5,915 |
| Depreciation | 6,909 | 2,780 |
| Net Cash Provided by Operating Activities | (25,690) | 61,876 |
| Cash Flows from Investing Activities | | |
| Purchases of Investments | (7,853) | (2,839) |
| Purchases of Property & Equipment | - | (53,524) |
| Net Cash Used in Investing Activities | (7,853) | (56,363) |
| Cash Flows from Financing Activities | | |
| None | - | - |
| Net Increase (Decrease) in Cash | (33,543) | 5,513 |
| Cash and cash equivalents, beginning of year | 270,709 | 265,196 |
| Cash and cash equivalents, end of year | \$ 237,166 | \$ 270,709 |

The accompanying notes are an integral part of these financial statements.

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

1. Organization

Brunswick Family Assistance Agency, Inc. (“BFA”) is a North Carolina nonprofit corporation organized in August 1981. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

2. Mission

BFA is dedicated to improving the lives of families and individuals in crisis in Brunswick County, who are willing to help themselves, by providing emergency assistance and educational and skills development programs. The organization envisions a community where all people have access to an adequate and nutritious supply of food and sufficient resources to sustain themselves.

BFA achieves its mission through a wide variety of programs that provide: life-sustaining aid including food, clothing, emergency and disaster assistance; case management services to help homeless and near homeless families and individuals; and referral services to increase awareness of other area resources available to clients. Also, BFA runs the Family Thrift Store offering low-cost, practical necessities to the community such as clothing and furniture.

3. Summary of Significant Accounting Policies

BFA prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, “Not-for-Profit Entities,” requires the reporting of the organization’s activities by net

See the Independent Auditor’s Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

asset class. The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets result from contributions to the organization that must be maintained permanently. Typically, the future investment returns on such assets may be used in full or in part for the operations of the organization. *As of December 31, BFA held no permanently restricted net assets.*

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation. At various times during the year, the organization's cash balance in financial institutions has exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per depositor. The financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

3d. Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously). Also see *Note 9, Restrictions on Net Assets* and *Note 4, Grants & Contributions*.

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills and would otherwise have been purchased by the organization). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services."

See the Independent Auditor's Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

While many individuals volunteer significant amounts of time and perform a variety of tasks for the organization, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements.

The organization receives a large amount of donated food that is distributed to clients through its food pantry. The agency logs and weighs all food received and assigns a fair value to the donation based on its weight. Donations are assigned a value based on the average price per pound the agency would pay if it were to buy a basket of typically donated items. The donated goods were valued at \$1.42 per pound. Also see *Note 10, Client Assistance & Donated Goods*.

BFA distributes donated toys and school supplies at Christmas and "Christmas in July," respectively, to area families. It estimates the value of each gift bag at \$100 based on the price the agency would have had to pay for the contents of a typical bag if they had not been donated. Also see *Note 10, Client Assistance & Donated Goods*.

3e. Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis (such as staff members' time). The Statement of Functional Expenses presents these same expenses by natural classification (e.g. wages, contracted services).

Management and General activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. The direct costs of fundraising events are excluded from the Statement of Functional Expenses because they are netted against the associated special events revenue as described below.

BFA hosts occasional special events to increase awareness of its mission and to raise funds for the organization. During the year, it incurred \$8,063 of expenses in connection with these events. These disbursements are considered primarily fundraising costs and are therefore netted against special events revenue of \$15,097. The net amount of \$7,034 appears on the Statement of Activities as the line item "Special Events, net."

See the Independent Auditor's Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

3f. Investments

Investments are reported at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in unrestricted net assets as there are no donor-imposed restrictions upon them. Also see *Note 6, Investments*.

3g. Property & Equipment

BFA capitalizes property and equipment costing more than \$1,000 with a useful life of more than one year. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use. Also see *Note 7, Property & Equipment*.

3h. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (unrestricted, temporarily restricted, and permanently restricted). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, the summarized information should be read in conjunction with the organization's financial statements for the prior year from which it is derived. Certain prior-year amounts have been reclassified to conform to the current year presentation.

4. Grants & Contributions

BFA receives both cash and in-kind contributions from a variety of governmental and private agencies. The Statement of Activities line items "Private Grants & Contributions" (\$471,127), "Donated Goods" (\$701,971), and "Government Grants & Contracts" (\$183,757), total \$1,356,855, and are further described in the table on the next page.

Accounts Receivable

The accounts receivable balance of \$15,894 consists primarily of reimbursement requests submitted prior to December 31 for which the organization has yet to receive payment. Management believes the amounts are fully collectible and so no provision has been made for uncollectible amounts.

See the Independent Auditor's Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

Summary of Grants and Contributions

Grants and contributions are displayed as three line items on the Statement of Activities grouped as follows:

| Funding Source | Amount | % Total |
|---|---------------------|-------------|
| Private Grants & Contributions | | |
| Individuals & Organizations | \$ 407,827 | 30% |
| Private Foundations | 63,300 | 5% |
| Donated Goods (see Note 10) | | |
| Food Pantry Donations | 359,178 | 27% |
| Christmas Presents & School Supplies | 166,155 | 12% |
| NC Dept. Agriculture – Commodities | 176,638 | 13% |
| Government Grants & Contracts | | |
| NC State & Federal Government Agencies | 55,706 | 4% |
| Brunswick County & Local Municipalities | 128,051 | 9% |
| Total Grants & Contributions | \$ 1,356,855 | 100% |

5. Inventory

Inventory consists of purchased and donated food (*also see Note 10*), as well as clothing and furniture donations held for sale in the organization’s thrift store. Purchased food inventory is recorded at cost. Donated goods are recorded at estimated fair value. The organization estimates the fair value of clothing and furniture inventory items by using recent sales prices of similar items. See *Note 3d* for the methods used to value food and other donated items.

6. Investments

A summary of investments as of December 31 is as follows:

| | Fair Value | Cost | Unrealized Gain (Loss) |
|------------------|----------------|----------------|---------------------------|
| Cash/Money Funds | \$ 1,588 | \$ 1,588 | \$ 0 |
| Mutual Funds | <u>137,728</u> | <u>137,172</u> | <u>556</u> |
| | \$ 139,316 | \$ 138,760 | \$ 556 |

In establishing the “fair value” of its investments, BFA follows FASB ASC topic 820, *Fair Value Measurements and Disclosures*, which provides a basic hierarchy for measuring fair values. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). *The fair values for BFA’s investments are determined by reference to quoted market prices (i.e. level 1 measurements).*

See the Independent Auditor’s Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

On the Statement of Activities, the line item "Investment Income" total of \$7,244 consists of realized and unrealized gains of \$6,042 plus interest and dividend income of \$5,130 less fees of \$3,928.

7. Property and Equipment

The Property and Equipment balance is stated at cost and consists of the following:

| | <u>12/31/16</u> |
|--------------------------------|-----------------|
| Leasehold Improvements | \$ 37,958 |
| Vehicle, Furniture & Equipment | <u>15,566</u> |
| | 53,524 |
| Less accumulated depreciation | <u>(9,689)</u> |
| Total | \$ 43,835 |

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (10 years for leasehold improvements, five years for equipment). Depreciation expense for the year totaled \$6,909 and appears within the line item "Occupancy" on the Statement of Functional Expenses.

8. Accounts Payable & Accrued Liabilities

The accounts payable and accrued liabilities balance of \$24,768 consists of operational accounts payable totaling \$11,348 and payroll-related liabilities totaling \$13,420.

9. Restrictions on Net Assets

During the course of the year, funds totaling \$94,731 that were initially restricted for a variety of uses were expended for their intended purposes and released from restriction. These appear as the line item "Net Assets Released from Restriction" on the Statement of Activities.

As of December 31, the organization's total net assets of \$495,221 were comprised of unrestricted net assets of \$476,323 and temporarily restricted net assets of \$18,898. The restricted funds are to be used to assist clients with their utility bills. Once BFA has expended the funds for the intended purpose, they will be released from restriction.

10. Client Assistance & Donated Goods

BFA receives a substantial portion of its contributions revenue in the form of donated goods. The in-kind revenue consists of food pantry donations by area churches, businesses and individuals; commodities donations (canned goods and frozen foods) delivered by the North Carolina Department of Agriculture and Consumer Services; and donated toys and school supplies that it

See the Independent Auditor's Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

distributes at Christmas and "Christmas in July" to area families. See *Note 3d, Contributions* for the methods used to value donated items.

The "Donated Goods" revenue line item of \$701,971 on the Statement of Activities is offset by an expense within the "Client Assistance" line item on the Statement of Functional Expenses. The balance of donated goods remaining at year-end has been included in the "Inventory" line item on the Statement of Financial Position.

11. Leases

BFA rents 7,200 square feet of retail space at Twin Creek Plaza in Shallotte, NC under a lease agreement with a local landlord. Rent for the year totaled \$54,900 and is included within the line item "Occupancy" on the Statement of Functional Expenses. The 10-year lease terminates in June 2025.

Agreed-upon future annual minimum lease payments totaling \$490,500 are scheduled as follows:

| | |
|------------|-------------------|
| 2017 | \$ 55,800 |
| 2018 | 55,800 |
| 2019 | 56,700 |
| 2020 | 57,600 |
| 2021 | 57,600 |
| Thereafter | <u>\$ 207,000</u> |
| Total | \$ 490,500 |

BFA is also responsible for monthly expenses related to common area maintenance and property taxes approximating \$14,500 annually. It is included within the line item "Occupancy" on the Statement of Functional Expenses.

BFA sub-leases approximately 400 square feet of space to New Hope Clinic, a nonprofit organization, under a cooperative arrangement to provide access to free health care to their mutual clients.

12. Income Taxes

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and BFA believes it is not subject to tax examinations for fiscal years prior to 2013.

See the Independent Auditor's Report

Brunswick Family Assistance Agency, Inc.
Notes to Audited Financial Statements
December 31, 2016

13. Subsequent Events

BFA has evaluated events that have occurred subsequent to the statement of financial position date (December 31, 2016) and through the date that the Independent Auditor's Report was available to be issued (March 21, 2017). No events have occurred during that period that would require adjustments to the audited financial statements or disclosures in these notes.

See the Independent Auditor's Report